

The AfrAsia Bank South Africa Wealth Report



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1 Introduction

1.1 What is this Report About?

The report covers wealth, luxury, prime property, collectable and wealth management trends in South Africa from 2007 to 2017, with projections to 2027.

Table 1: South Africa: HNWI wealth band definitions

| <u>Wealth group</u> | <u>Definition</u> |
|-----------------------------|---|
| Billionaires | Billionaires are those individuals living in SA with wealth of US\$1 billion or more. |
| Multi-millionaires | Those individuals living in SA with wealth of US\$10 million or more. |
| Millionaires (HNWIs) | Those individuals living in SA with wealth of US\$1 million or more. |
| Mass Affluent | Those individuals living in SA with wealth of between US\$100,000 and US\$1 million. |

Source: New World Wealth

1.2 Notes and definitions

- “Wealth” refers to the net assets of a person. It includes all their assets (property, cash, equities, business interests) less any liabilities.
- “Collectables” include any luxury item that holds its value reasonably well over time (examples: art, classic cars).
- “Assets under Management” or “AuM” refers to the market value of all the funds being managed by a wealth management company on behalf of its clients.
- “Business Interests” refer to local holdings in businesses that HNWI is or was actively involved in (example: Bill Gates shares in Microsoft).
- Figures mentioned in the report are from New World Wealth unless otherwise stated.
- The “review period” refers to period from the end of 2007 to the end of 2017.
- The “forecast period” refers to period from the end of 2017 to the end of 2027.

1.3 Sources

Sources include:

- The New World Wealth HNWIs database, which includes detailed profiles on over 5,000 South African HNWIs.
- Regular interviews with intermediaries (brokers, wealth managers, financial advisors, property agents, migration experts, travel agents and art & classic car dealers).
- Property registers and property sales statistics.
- Income distribution stats.
- Stock market statistics.
- Tracking of HNWIs movements in the media.

1.4 Why do we compile an SA wealth report?

In our view, **wealth** is a far better measure of the financial health of an economy than GDP. Reasons for this include:

- In certain countries, a large portion of GDP flows to the government and therefore has little impact on private wealth creation (examples: Bahrain, Kuwait).
- GDP counts items multiple times (for instance, if someone is paid \$100 for a product/service and they then pay someone else that \$100 for another product/service, then that adds \$200 to a country's GDP, even though only \$100 has been produced at the start).
- GDP disregards income levels in a country.
- GDP ignores the efficiency of the local banking sector and the local stock market at retaining wealth in a country.

Wealth figures, on the other hand, do not have any of these limitations, making them a far better gauge of the financial health of an economy than GDP figures.

2 Wealth Sector Fundamentals

2.1 Regional landscape

There are around 56 million people living in South Africa. Johannesburg (including Sandton) is the economic powerhouse of South Africa, accounting for over 20% of the country's GDP.

Table 2: South Africa: Cities ranked by GDP contribution, 2017

| Rank | City | State/Province |
|------|------------------------------|----------------|
| 1 | Johannesburg (incl. Sandton) | Gauteng |
| 2 | Cape Town | Western Cape |
| 3 | Durban (incl. Umhlanga) | KwaZulu-Natal |
| 4 | Pretoria | Gauteng |
| 5 | Port Elizabeth | Eastern Cape |

Source: New World Wealth

Figure 1: South Africa: Map of country



Source: CIA Factbook

2.2 Political Review

South Africa has been democratic since 1994. General elections are held every five years. Major political parties in the country include:

- The **African National Congress** (ANC), which has won every general election since 1994 (with majorities of over 60%). The ANC is a national liberation movement founded in 1912. Cyril Ramaphosa is the current president of the ANC and former leaders include Nelson Mandela, Oliver Tambo, Albert Lutuli, Thabo Mbeki and Jacob Zuma. In the 2014 general election, the ANC received 62% of the national vote and won majorities in eight of the nine provinces.
- The **Democratic Alliance** (DA), which is the governing party in the Western Cape Province, and the official opposition at a national level. The party traces its roots to the anti-apartheid movement of the 1970s and 1980s, during which time it was known as the Progressive Party. Mmusi Maimane is the current leader of the DA and former leaders include Helen Zille, Tony Leon and Helen Suzman. The DA won 22% of the national vote in the 2014 general election and 54% of the vote in the Western Cape.
- The **Economic Freedom Fighters** (EFF), which was formed in 2013 by former ANC Youth League leader Julius Malema. The party won 6% of the national vote in the 2014 general election.

The next general election will be held in 2019.

It should be noted that in the 2017 municipal elections, the DA won an improved 27% of the national vote and gained majorities in 4 of the 5 big metros including Johannesburg, Pretoria, Port Elizabeth and Cape Town. The only major metro that they lost was Durban.

2.3 Economic Review

South Africa is the 35th largest economy in the world (measured by current GDP).

Financial services is the largest domestic sector, accounting for around 20% of South African GDP, followed by manufacturing (12%) and basic materials (10%). 'Basic materials' includes mining (7% of GDP) and agriculture (3%). Notably, mining's contribution has fallen from 21% of GDP in 1970 - source: Stats SA.

The country's main export partners over the past year were: China (10% of exports), the United States (8%), Germany (8%), Botswana (5%), Namibia (5%), Japan (5%), the UK (5%) and India (5%). Major exports include: cars & trucks (12% of exports), platinum (9%), coal (6%), iron ore (5%) ferroalloys (5%) and diamonds (3%) - source: Observatory of Economic Complexity.

The South African economy performed poorly over the past 10 years. South African US\$ GDP per capita declined by 13%, from US\$5,990 in 2007 to around US\$5,200 in 2017 (estimate for 2017). It was up and down during the period - it peaked at US\$7,980 in 2011 - source: Worldbank.

2.4 Benchmarking South Africa's Wealth in Context

2.4.1 World statistics

Worldwide stats (at the end of 2017):

- Total private wealth held worldwide amounts to approximately US\$215 trillion.
- The average individual has net assets of US\$28,400 (wealth per capita).
- There are approximately 15.2 million HNWIs in the world, each with net assets of US\$1 million or more.
- There are approximately 584,000 multi-millionaires in the world, each with net assets of US\$10 million or more.
- There are 2,252 billionaires in the world, each with net assets of US\$1 billion or more.

2.4.2 Distribution of wealth in South Africa

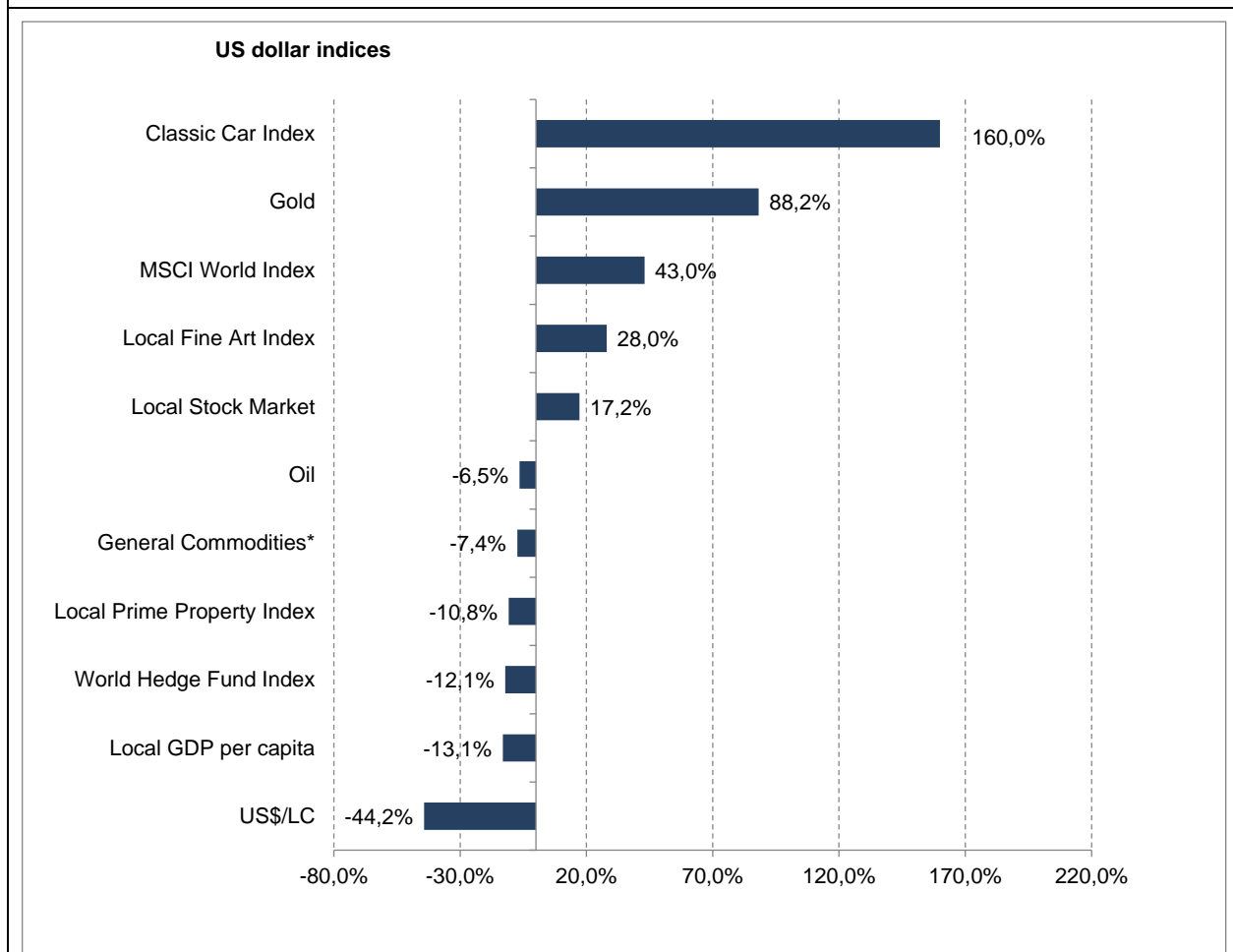
South Africa stats (at the end of 2017):

- Total private wealth held in SA amounts to approximately US\$722 billion. Around US\$306 billion of this is held by HNWIs.
- The average South African individual has net assets of US\$12,900 (wealth per capita), which is the 2nd highest level in Africa, behind Mauritius.
- SA is home to 43,600 HNWIs, each with net assets of US\$1 million or more.
- SA is home to 2,200 multimillionaires, each with net assets of US\$10 million or more.
- SA is home to 5 billionaires, each with net assets of US\$1 billion or more.

The following chart summarizes how major wealth drivers have performed over the past 10 years in US dollar terms.

As is evident, South African US\$ wealth was negatively influenced by a significant depreciation of the Rand against the US dollar during the period. GDP per capita was also down in US\$ terms.

Figure 2: South Africa: Asset Price Performance (US\$ terms), 2007–2017



*includes foodstuffs and raw materials (excl. gold and oil)

Sources: Various: New World Wealth, EIU, The Economist, Worldbank

2.4.3 HNWI wealth trends in South Africa

2017 performance

2017 was a solid year for South African HNWIs – HNWI volumes in the country rose by 8% during the year, reaching 43,600 by the end of 2017. This growth rate was in line with the rise in overall wealth held in the country – total private wealth held in South Africa rose from US\$670 billion at the end of 2016 to US\$722 billion at the end of 2017, whilst HNWI wealth rose from US\$284 billion to US\$306 billion.

The rise was facilitated by a strengthening local currency – the US\$ exchange rate went from R13.70/US\$ at the end of 2016 to R12.30/US\$ at the end of 2017. The JSE all share index was also up significantly during the year (by 30% in US\$ terms).

Review period performance (2007 – 2017)

Performance over the past 10 years was less impressive with HNWI numbers rising by only 2% over the 10 year period between 2007 and 2017. It should however be noted that this period takes into account the global financial crisis in 2008 which damaged wealth numbers in most countries.

SA's performance over the 10 year period was negatively impacted by:

- A declining currency – the Rand depreciated significantly against the US\$ from R6.90/US\$ at the end of 2007 to R12.30/US\$ at the end of 2017.
- A sluggish property market (in US\$ terms).
- Poor performance of key sectors, most notably mining.

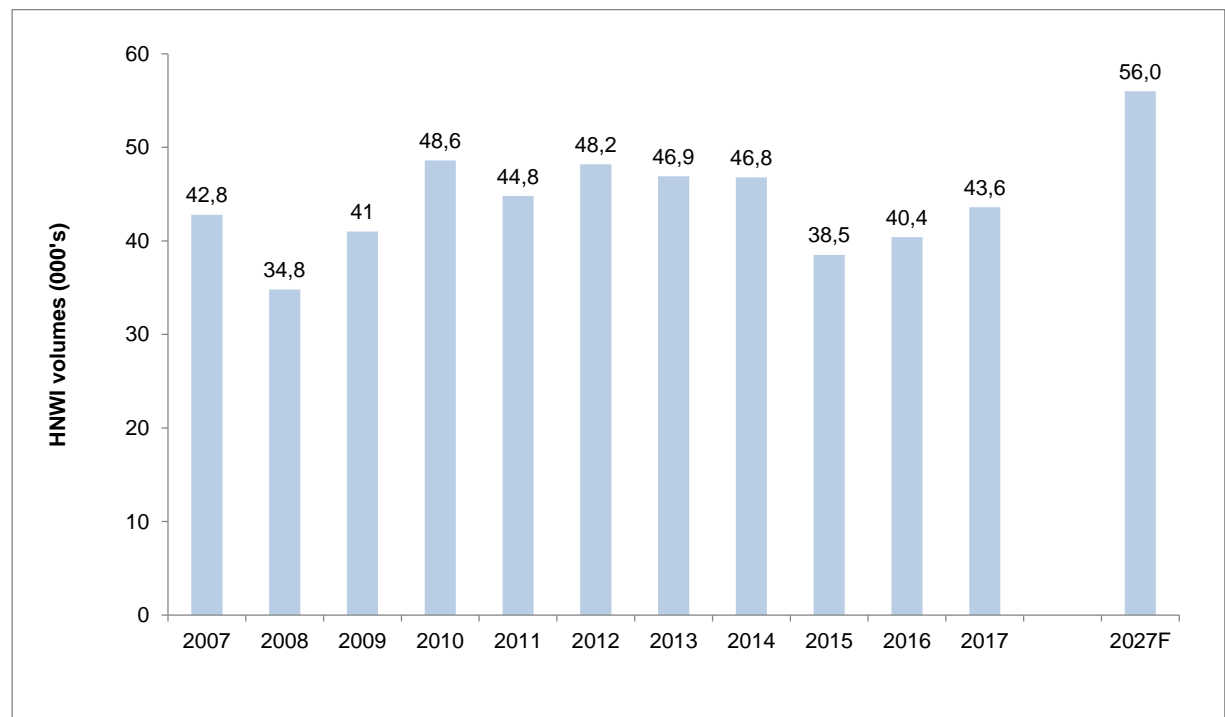
SA's performance was positively impacted by:

- The JSE all share index, which was up by 17% during the 10 year period (in US\$ terms).
- Strong growth in the local professional services sector (law firms, consultancies).
- The MSCI World Index (global equity market index), which was up by 43% over the 10 year period (in US\$ terms). Many South African HNWIs have foreign equity holdings so this has an impact.

Forecast period performance (2017 – 2027)

Solid HNWI growth is expected over the next 10 years. The number of South African HNWIs is forecast to grow by 28%, to reach approximately 56,000 by 2027.

Figure 3: South Africa: HNWI Performance, 2007–2027



Source: New World Wealth

2.5 South Africa's wealth scorecard and growth prospects

Despite being only the fifth-largest country in Africa in terms of population and ninth-largest by land area, South Africa is by far the most advanced and richest country on the continent.

South Africa has over twice as many millionaires (HNWIs) as any other African country. Things that attract and keep HNWIs in SA include:

- Lifestyle aspects: wildlife, beaches, weather and scenery.
- A good private healthcare system.
- Top class private schools for their children.
- Top class shopping centers (examples: Sandton City, Gateway, Montecasino, V&A and Hyde Park).
- English speaking country.
- Fully developed luxury market, where most of the major luxury brands are available.
- Large number of luxury holiday destinations within country (examples: Kruger Park, Cape Town, Umhlanga, Ballito, etc.).

- Luxury food stores such as Woolworths, which appeal to wealthy consumers.
- Well established luxury areas (Camps Bay, Hyde Park, Westcliff, Umhlanga etc.)
- Over 100 luxury residential estates.
- Efficient private security companies including: CSS Tactical, G4S, Fidelity ADT and CAP Security, which help keep affluent neighborhoods safe.

Going forward, South Africa has strong fundamentals for wealth growth including:

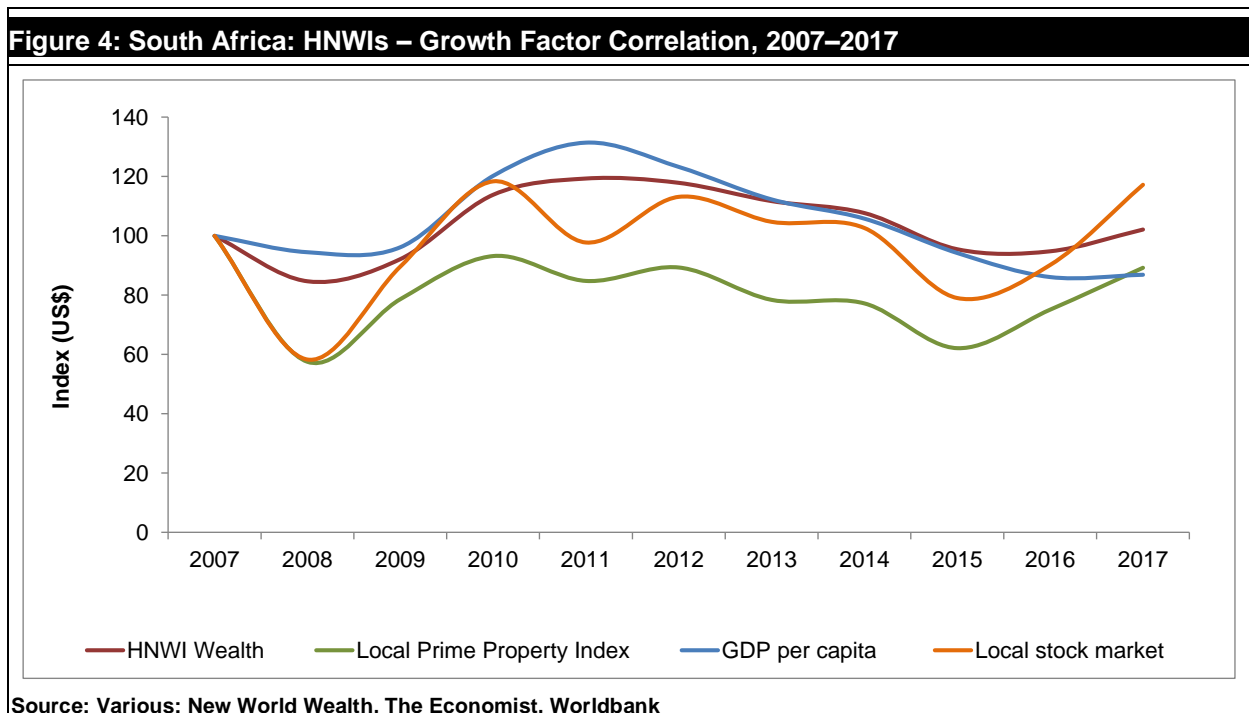
- A well-developed wealth management, fund management and banking system.
- A large free media which helps disseminate reliable information to investors. This sets South Africa apart from most other African markets.
- One of the 20 biggest stock exchanges in the world. Also, the JSE has been one of the fastest growing stock markets worldwide over the past 25 years (in terms of market cap growth).
- South Africa is a potential hub for doing business in the rest of Africa.

3 Findings from HNWI Database

Our South African model has been constructed using underlying data from the New World Wealth HNWI Database. The demographic details in this section are based on a sample of over 5,000 local HNWIs and results are based off a 95% confidence interval.

3.1 Trend analysis

Growth in the wealth of HNWIs is linked to a number of factors including the country's GDP, the local real estate market and the local stock market. As is evident from the below figure, the growth of South African HNWI wealth is closely linked to US\$ GDP per capita. Note: all indices are in US\$ terms.



3.2 Breakdown by city

As evidenced in the below table, Johannesburg is home to the largest portion of South Africa's wealth.

| Table 3: South Africa: City wealth breakdown, 2017 | | | |
|--|-----------------------|-------------------|--------------------|
| City / Area | Total wealth (US\$bn) | Residents (\$1m+) | Residents (\$10m+) |
| Johannesburg | 276 | 18 400 | 970 |
| Cape Town | 155 | 8 300 | 490 |
| Durban, Ballito & Umhlanga | 55 | 3 400 | 210 |
| Paarl, Franschhoek & Stellenbosch | 54 | 3 200 | 150 |
| The Garden Route | 52 | 3 000 | 100 |
| Pretoria | 48 | 2 800 | 120 |
| The Whale Coast | 24 | 800 | 50 |
| The Sunshine Coast | 15 | 400 | 40 |
| Pietermaritzburg & Natal Midlands | 7 | 200 | 30 |
| Bloemfontein | 3 | 100 | 20 |
| Other | 33 | 3 000 | 20 |
| Total South Africa | 722 | 43 600 | 2 200 |

Note: HNWI's numbers rounded to nearest 100. Only includes people living in each area.

Source: New World Wealth

Notes:

- **Johannesburg:** Our figures for Johannesburg include Sandton.
- **The Garden Route:** Stretches from Mossell Bay to Storms River on the South Coast. Popular retirement destination. Notable towns on the route include: Mossell Bay, George, Knysna, Plettenberg Bay and Wilderness.
- **The Whale Coast:** Area between Cape Town and the Garden Route. Notable towns on the Whale Coast include Rooi Els, Kleinmond, Hermanus, Gansbaai, Pringle Bay and Bettys Bay.
- **The Sunshine Coast:** Area around Port Elizabeth. Includes Port Elizabeth, Kenton, St Francis Bay, Grahamstown and Port Alfred.

Note: This table only includes resident wealth. The likes of Cape Town and the Garden Route are also popular second home hotspots for the wealthy.

The following table lists these same areas by HNWI growth.

As reflected, Paarl, Franschhoek & Stellenbosch is the fastest growing South African city/area for HNWI's, with numbers rising by 20% over the past 10 years. HNWI's on the Garden Route and the Whale Coast also performed well (mainly due to a trend of retiring HNWI's moving there).

Johannesburg performed relatively poorly. A large number of Johannesburg millionaires moved to other parts of the country. Johannesburg prime property prices also performed poorly relative to the rest of the country.

Table 4: South Africa: HNWI's – City performance, 2007 - 2017

| City / Area | HNWI growth %, 2007 - 2017 | Residents (\$1m+), 2017 |
|-----------------------------------|----------------------------|-------------------------|
| Johannesburg | -4% | 18 400 |
| Cape Town | 3% | 8 300 |
| Durban, Ballito & Umhlanga | 8% | 3 400 |
| Paarl, Franschhoek & Stellenbosch | 20% | 3 200 |
| The Garden Route | 14% | 3 000 |
| Pretoria | 2% | 2 800 |
| The Whale Coast | 10% | 800 |
| The Sunshine Coast | 9% | 400 |
| Pietermaritzburg & Natal Midlands | 2% | 200 |
| Bloemfontein | 1% | 100 |
| Other | 2% | 3 000 |
| Total South Africa | 2% | 43 600 |

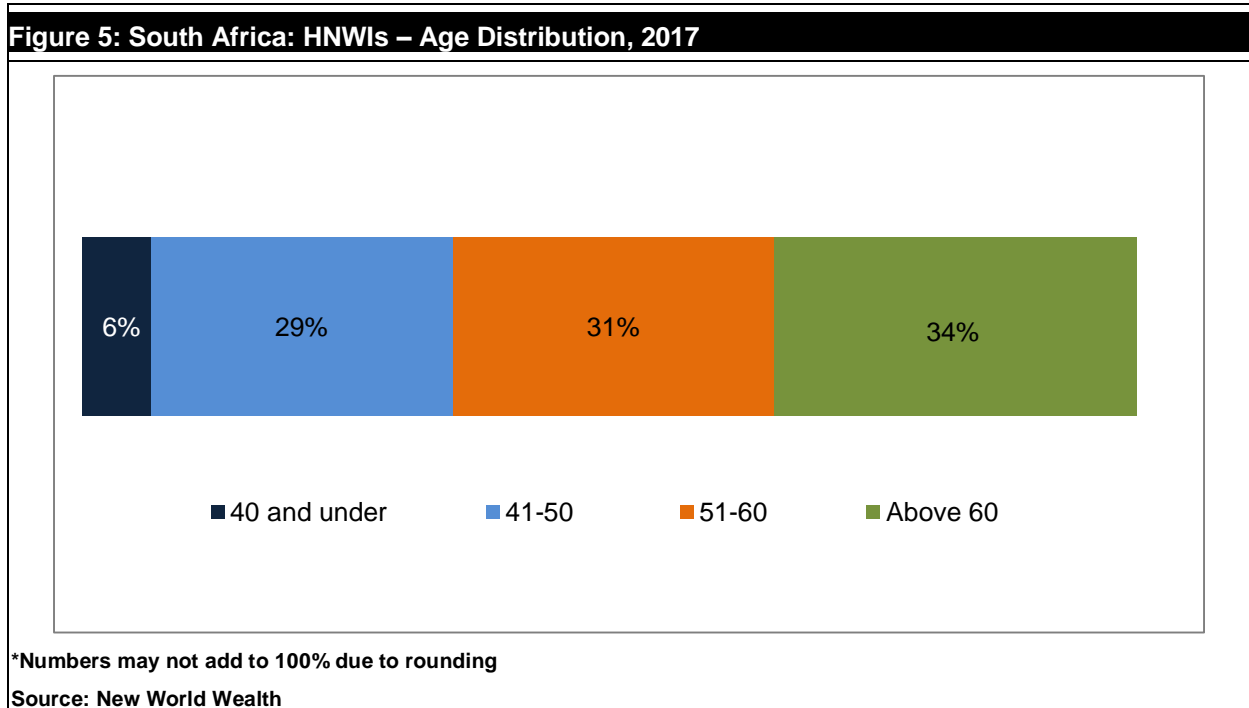
Note: HNWI's numbers rounded to nearest 100. Only includes people living in each area.

Source: New World Wealth

3.3 Age distribution

Age breakdown

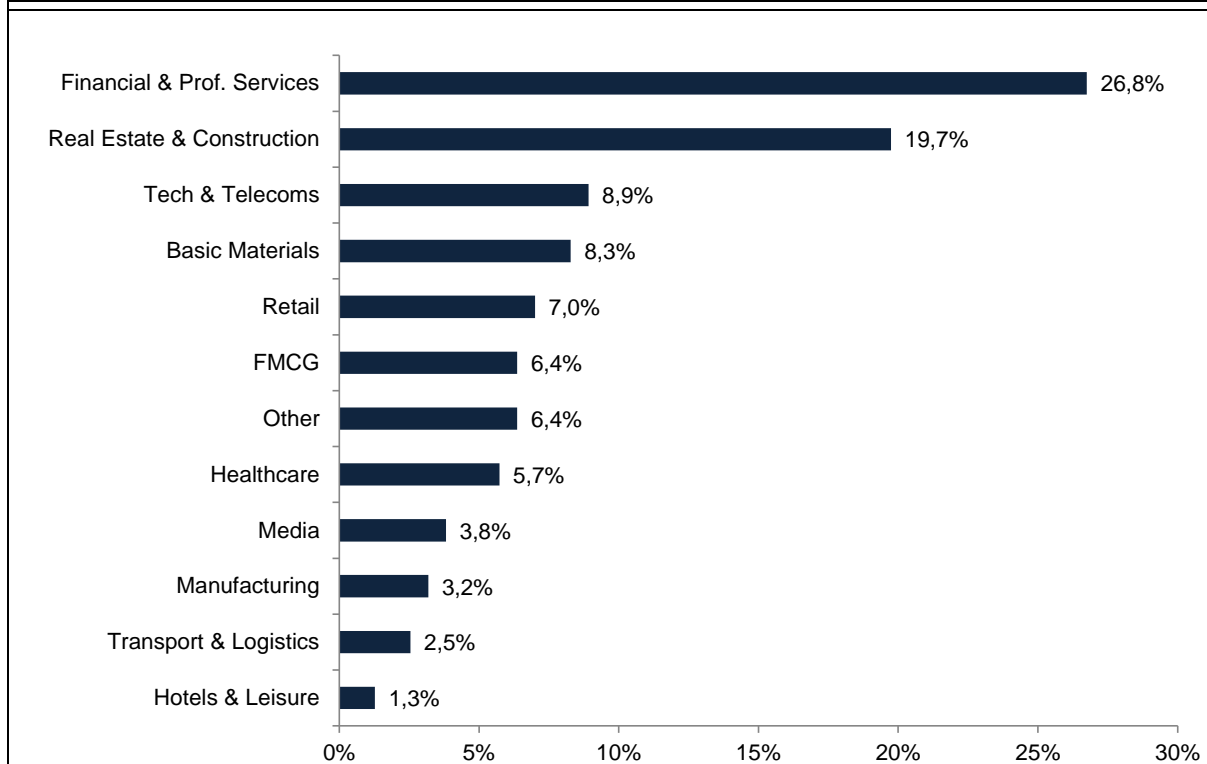
The average age of HNWIs in South Africa is 57 years. This is slightly above the worldwide average. As reflected below, a large portion of SA HNWIs are over 60 years old.



3.4 Industry breakdown

Financial & professional services is the main industry from which South African HNWI's have acquired their wealth. Real estate & construction is also a big one.

Figure 6: South Africa: HNWI's – Distribution by Industry, 2017



Notes:

Financial & professional services includes banks, law firms, accountancies, fund managers and wealth managers.

Basic Materials includes agriculture and mining.

FMCG includes food distribution, food processing and food retail.

Retail includes all forms of retail, with the exception of food retail which is under FMCG.

Manufacturing includes automotive, textiles, machinery, electrics, chemicals and shipbuilding.

Tech & Telecoms includes software, internet, hardware and telecoms.

Healthcare includes pharmaceuticals, doctors, hospitals, nursing homes and health insurance.

Source: New World Wealth

The fastest growing sectors for South African HNWI's over the past 10 years were financial services (banks) and professional services (law firms, consultancies etc.). Both are bunched together in the above chart.

3.5 Educational background

The following table examines the most common degrees and certifications held by South African HNWI.

Table 5: South Africa: HNWI – Distribution by area of study, 2017

| Type of degree / area of study | % of HNWI, 2017 |
|--|-----------------|
| Law (LLB, LL.M) | 28% |
| Finance & Economics (MBA, B.Com, Business Science, CFA) | 21% |
| Accounting (Chartered Accountant) | 12% |
| Computers and Sciences (B.Sc.) | 6% |
| Medicine | 4% |
| Engineering | 4% |
| Actuarial | 3% |
| Other | 22% |
| Total | 100% |
| <i>Note: Refers to the last degree/certification achieved by the HNWI.</i> | |
| Source: New World Wealth | |

The following table provides a breakdown the top universities for producing South African HNWI.

Table 6: South Africa: HNWI – Distribution by university, 2017

| University | % of HNWI, 2017 |
|--|-----------------|
| University of the Witwatersrand (WITS) | 22% |
| University of Cape Town (UCT) | 19% |
| Stellenbosch University | 12% |
| University of South Africa (UNISA) | 10% |
| University of Pretoria | 6% |
| Rhodes University | 5% |
| Rand Afrikaans University / University of Johannesburg | 4% |
| US universities (Harvard, Yale, MIT etc.) | 4% |
| UK universities (Oxford, Cambridge etc.) | 3% |
| Other | 15% |
| Total | 100% |
| <i>Note: Refers to last university attended by the HNWI.</i> | |
| Source: New World Wealth | |

The following table examines the level of education of HNWIs in SA.

| Table 7: South Africa: HNWIs – Distribution by level of education, 2017 | |
|--|-------------------------|
| Level of education | % of HNWIs, 2017 |
| Under Graduate Only | 68% |
| Post Graduate | 27% |
| High School Only | 5% |
| Total | 100% |
| Source: New World Wealth | |

3.6 Work title breakdown

The following table provides a breakdown of the work titles of HNWIs living in South Africa.

| Table 8: South Africa: HNWIs – Distribution by work title, 2017 | |
|--|-------------------------|
| Title | % of HNWIs, 2017 |
| Director | 40% |
| Managing Director | 16% |
| Chief Executive Officer | 11% |
| Chairman | 9% |
| Partner | 8% |
| Chief Financial Officer | 3% |
| Financial Director | 3% |
| Other | 10% |
| Total | 100% |
| Source: New World Wealth | |

3.7 Top suburbs for the super-rich

The following two tables provide a breakdown of the top suburbs for super-wealthy South Africans to live. Note: this table refers to multi-millionaires (individuals with net assets of US\$10 million or more).

Table 9: South Africa: Most popular suburbs in Cape Town for multimillionaires, 2017

| Suburb | Residents (\$10m+) |
|-----------------------------|--------------------|
| Camps Bay & Bakoven | 80 |
| City bowl* | 70 |
| Bishopscourt | 40 |
| Constantia & Tokai | 40 |
| Clifton | 30 |
| Bantry Bay | 30 |
| Fresnaye | 30 |
| Somerset West | 30 |
| Greenpoint | 20 |
| Granger Bay & Mouille Point | 20 |
| Llandudno | 20 |
| Seapoint & Three Anchor Bay | 20 |
| Noordhoek | 10 |
| Hout Bay | 10 |
| Gordons Bay & Strand | 10 |
| Other | 30 |
| Total CT | 490 |

Note: Rounded to nearest 10. Only includes people living in each area.

**incl. Higgovale, Oranjezicht, Tamboerskloof and V&A Marina.*

Source: New World Wealth

Note: This table only includes resident multi-millionaires that live in these suburbs. The likes of Camps Bay, Clifton, Bantry Bay, Fresnaye, Llandudno and Seapoint are also popular second home hotspots for the wealthy.

Table 10: South Africa: Most popular suburbs in Johannesburg for multimillionaires, 2017

| Suburb | Residents (\$10m+) |
|------------------|--------------------|
| Houghton | 130 |
| Sandhurst | 120 |
| Hyde park | 110 |
| Bryanston | 90 |
| Westcliff | 50 |
| Park Town | 20 |
| Saxonwold | 20 |
| Other | 430 |
| Total JHB | 970 |

Note: Rounded to nearest 10. Only includes people living in each area.

Source: New World Wealth

3.8 Spotlight on billionaires

South Africa is home to five billionaires (each with net assets of US\$1 billion or more).

It should be noted that an additional 9 South African born billionaires have left the country and are therefore no longer included in our figures i.e. we only include people that actually live in South Africa. So, in total 14 South African born individuals could be classified as billionaires.

Note: we do not give out the names of these individuals. Our HNWI database is purely used for market research purposes.

4 Luxury sector in SA

The SA luxury sector generated revenue of approximately US\$2.2 billion in 2017 (down slightly from US\$2.3 billion in 2016). This figure includes: luxury cars, luxury clothing & accessories, luxury watches, private jets, yachts and luxury hotels & lodges. Luxury hotels are the largest component.

Recent trends:

- The luxury clothing sector in SA performed poorly in 2017, possibly due to increased competition from semi-luxury and premium brands.
- Luxury car sales were also down in 2017 compared to 2016. However, the luxury SUV space is still performing well - Porsche Cayenne, Range Rover, BMW X6, Mercedes GLE etc.
- Luxury hotel revenue in SA was up slightly in 2017 compared to 2016. This was assisted by the easing of visa restrictions on foreign visitors.
- The super-luxury watch segment is still performing well in SA. Notably, this segment has been growing steadily over the past few years. Examples of super-luxury watches include: Patek Philippe, Franck Muller, Breguet, Vacheron Constantin, Ulysse Nardin, Blancpain, Audemars Piguet, Roger Dubius, A Lange & Sohne, Richard Mille, Greubel Forsey and FP Journe.

4.1 Luxury cars

Luxury car brands with dealerships in SA are listed below, ranked by revenue.

Table 11: South Africa: Top selling luxury cars, 2017

| Brand ranked by SA revenue | Dealership locations |
|----------------------------|------------------------------|
| Porsche | Sandton, Cape Town, Umhlanga |
| Ferrari | Sandton, Cape Town, Durban |
| Bentley | Sandton |
| Rolls Royce | Sandton |
| Aston Martin | Sandton, Cape Town |
| Lamborghini | Sandton, Cape Town |
| Mclaren | Sandton, Cape Town |

Source: New World Wealth, NAAMSA

Luxury SUVs are especially popular with SA's super-rich. Reasons for their popularity include:

- High road clearance. SUVs handle potholes and bad roads better than luxury sedans and sports cars.
- Safety aspects.
- Space for children.
- Useful for holidays – off road, game reserves etc.

Popular models are listed below.

Table 12: South Africa: Popular SUVs for HNWIs, 2017

| Model | Price US\$ |
|-----------------------|------------|
| Porsche Cayenne Turbo | 110 000 |
| Range Rover 5.0L V8 | 100 000 |
| BMW X6 | 70 000 |
| Mercedes GLE Coupe | 70 000 |

Source: New World Wealth

The following sports cars are also popular.

Table 13: South Africa: Popular sports cars for HNWIs, 2017

| Model | Price US\$ |
|------------------------|------------|
| Rolls-Royce Phantom | 420 000 |
| Ferrari F12 Berlinetta | 310 000 |
| Rolls Royce Ghost | 295 000 |
| Ferrari 458 Italia | 240 000 |
| Ferrari California | 205 000 |
| Bentley Continental | 200 000 |
| Aston Martin DB9 | 198 000 |
| Porsche 911 Turbo | 160 000 |
| Mercedes-Benz AMG SL | 140 000 |
| Porsche 911 Carrera 4 | 90 000 |

Source: New World Wealth

4.2 Luxury clothing & accessory brand stores

A large number of exclusive clothing & accessory brand stores were put up in SA between 2002 and 2007 during the global consumer boom period. Most of them are based in major shopping centers including: Sandton City and Hyde Park in Johannesburg, the V&A Waterfront in Cape Town and Gateway in Umhlanga.

Table 14: South Africa: Luxury Brand Stores, 2017

| Brand (ranked by no. of stores) | Specialty | No. of stores in country |
|--|--------------------------|--------------------------|
| L'Occitane | Bath & grooming products | 16 |
| Hugo Boss | Mens clothing | 12 |
| Lacoste | Mens clothing | 9 |
| Louis Vuitton | Clothing & accessories | 2 |
| Burberry | Clothing & accessories | 2 |
| Gucci | Clothing & accessories | 2 |
| Paul Smith | Mens clothing | 2 |
| Paul & Shark | Mens clothing | 1 |
| Thomas Pink | Clothing & accessories | 1 |
| Salvatore Ferragamo | Clothing & accessories | 1 |
| Bally | Clothing & accessories | 1 |
| Dolce & Gabbana | Clothing & accessories | 1 |
| Jimmy Choo | Womans shoes | 1 |
| Prada | Clothing & accessories | 1 |
| Zegna | Mens clothing | 1 |
| Kiton | Mens clothing | 1 |
| <i>Note: excludes watch stores and jewelry stores.</i> | | |
| Source: New World Wealth | | |

Notably, no new luxury clothing & accessory brands entered the SA market in 2017. However, some existing brands such as L'Occitane opened new stores in SA during the year.

The following luxury brands are likely to open brand stores in SA over the next decade.

Table 15: South Africa: Upcoming Luxury Brand Stores, 2017

| Brand (alphabetical) | Specialty |
|---------------------------------|------------------------|
| Canali | Mens clothing |
| Chanel | Clothing & accessories |
| Christian Dior | Clothing & accessories |
| Christian Louboutin | Womans shoes |
| Hermes | Clothing & accessories |
| LK Bennett | Womans accessories |
| Mulberry | Clothing & accessories |
| Source: New World Wealth | |

4.3 Luxury department stores

There are also a number of South African department stores that stock luxury brands. Notables are listed below.

Table 16: South Africa: Luxury Department Stores, 2017

| Ranked by number of stores | Specialty | No. of Stores |
|--|-------------------------------|---------------|
| Grays | Mens clothing | 8 |
| Luminance | Womans clothing & accessories | 2 |
| <i>Note: excludes watch stores and jewelry stores.</i> | | |
| Source: New World Wealth | | |

4.4 Local luxury brands

The South African luxury goods market is dominated by foreign brands. However, there are a few local SA brands that make luxury and semi-luxury goods. They include:

- Ardmore Ceramics
- Avoova
- Carrol Boyes
- Porcupine Ceramics
- RainAfrica (bath & grooming products)
- Robertson & Caine (boat builders)

We expect this sector to grow strongly over the next 10 years.

4.5 Luxury hotels

A large portion of SA luxury sector revenue comes from luxury hotels and lodges.

Major SA destinations for wealthy people include: Kruger Park area, Cape Town, Umhlanga and the Garden Route.

Popular SA hotels for the world's wealthy include: the Lost City, the 12 Apostles Hotel & Spa, the One & Only, the Table Bay, the Sandton Sun, the Mount Nelson, the Michael Angelo, the Beverley Hills, the Oyster Box, the Westcliff and the Cape Grace. Popular SA game lodges for the super-rich include: Singita, Ngala, Bushmans Kloof, Royal Malewane, Phinda and Londolozi.

There are also a large number of small boutique hotels in SA that appeal to wealthy people. Examples include: Ellerman House, La Residence, Franschhoek Country House, Birkenhead House and the Plettenberg.

4.6 Luxury food stores & restaurants

Although not included in our figure of US\$2.2 billion, luxury food is sometimes included as another luxury item.

Luxury food retailers

This sector is well developed in SA, especially when compared to the rest of Africa and other major emerging markets such as India and Brazil. However, one company dominates the local market, namely, Woolworths.

Woolworths is modeled on and part-owned by Marks & Spencer in the UK.

| Table 17: South Africa: Luxury Food Stores, 2017 | |
|--|---------------|
| Brand (ranked by number of stores) | No. of Stores |
| Woolworths Food | 400+ |
| Bread Basket | 6 |
| Jacksons Real Food | 1 |
| Thrupps | 1 |
| Source: New World Wealth | |

Top-end restaurants

South Africa is home to a number of top-end Michelin star level restaurants, such as: La Colombe in Constantia and the Tasting Room in Franschhoek. There are also a number of more mainstream restaurants that attract a large number of wealthy people including: The Butcher Shop in Sandton and Beluga in Greenpoint.

Notably, Franschhoek is considered to be the “fine food capital” of South Africa with over 20 highly rated restaurants in the small town.

5 Collectables: art and classic cars

Collectables are a growing segment in SA. Collectables include any luxury item that holds its value reasonably well over time. Prominent examples include: art, classic cars, fine wine and stamps. Note: Collectables do not include yachts, private jets and new cars as these items are unlikely to hold their value.

Art

The global top-end art market is valued at around US\$75 billion. African art accounts for around US\$1 billion of this, with US\$450 million (R5.5 billion) held in South Africa specifically.

Leading South African artists (in terms of price) include:

- **Irma Stern** - Currently the most valuable South African artist. Fetches up to R30 million per painting. Average price of around R5 million.
- **Maggie Laubser** - Currently fetches up to R5 million per painting. Average price of around R600,000. We expect the value of her paintings to rise heavily going forward, possibly matching Irma Stern prices in the near future.
- **JH Pierneef** - Average price of around R800,000 per painting. Can fetch up to R20 million.
- **Alexis Preller** - Average price of around R600,000 per painting. Can fetch up to R10 million.
- **Gerard Sekoto** - Average price of around R400,000 per painting. Can fetch up to R5 million.
- **Hugo Naude** - Average price of around R300,000 per painting. Can fetch up to R2 million.
- **William Kentridge** - Average price of around R800,000 per painting. Can fetch up to R5 million.
- **John Meyer** - Average price of around R300,000 per painting. Can fetch up to R3 million.

Our picks for the future include (i.e. expected to fetch similar prices to artists above in the near future):

- **Adrian Boshoff**
- **Stefan Ampenberger**
- **Branko Dimitrov**
- **Roberto Vaccaro** (sculpture)
- **Portchie**
- **Isabel le Roux**

The majority of major art galleries are located in Johannesburg, Cape Town, Pretoria and Stellenbosch. Major dealers include Strauss & Co and Stephan Welz.

According to our in-house indices, South African fine art prices have risen by 28% over the past 10 years (in US\$ terms). Global fine art prices have risen by 12% over the same period.

Wheels

The global classic car market is valued at around US\$5 billion. According to our in-house indices, classic car prices rose by a strong 160% over the past 10 years (in US\$ terms), making it the best performing investment class for wealthy people globally. Local classic car auctions take place in Johannesburg, Cape Town and Knysna on a regular basis. Popular classic cars for SA HNWI's are listed below.

Table 18: South Africa: Popular classic cars for HNWI's, 2017

| Ranked by price | Years produced | Price US\$* |
|---|----------------|-------------|
| Ferrari 250 GTO | 1960s | 24 000 000 |
| Ferrari 250 GT California Spider | 1960s | 20 000 000 |
| Ferrari 250 Testa Rossa | 1950s | 18 000 000 |
| Bugatti Type 41 Royale | 1930s | 16 000 000 |
| Porsche 917 | 1970s | 10 000 000 |
| Ferrari 166 Barchetta | 1950s | 9 000 000 |
| McLaren F1 | 1990s | 8 000 000 |
| Porsche 550 Spyder | 1950s | 2 000 000 |
| Mercedes Gullwing 300sl | 1950s | 1 800 000 |
| Porsche 959 | 1980s | 1 500 000 |
| Aston Martin DB4 | 1950s | 1 400 000 |
| Aston Martin DB5 | 1960s | 1 100 000 |
| Ferrari F40 | 1990s | 1 000 000 |
| Lamborghini Miura | 1970s | 800 000 |
| Lamborghini Countach | 1980s | 500 000 |
| Jaguar E Type | 1960s | 300 000 |
| Ferrari Dino | 1970s | 260 000 |
| Porsche 911 | 1960s | 130 000 |
| *US\$ price if car in good and working condition. | | |
| Source: New World Wealth | | |

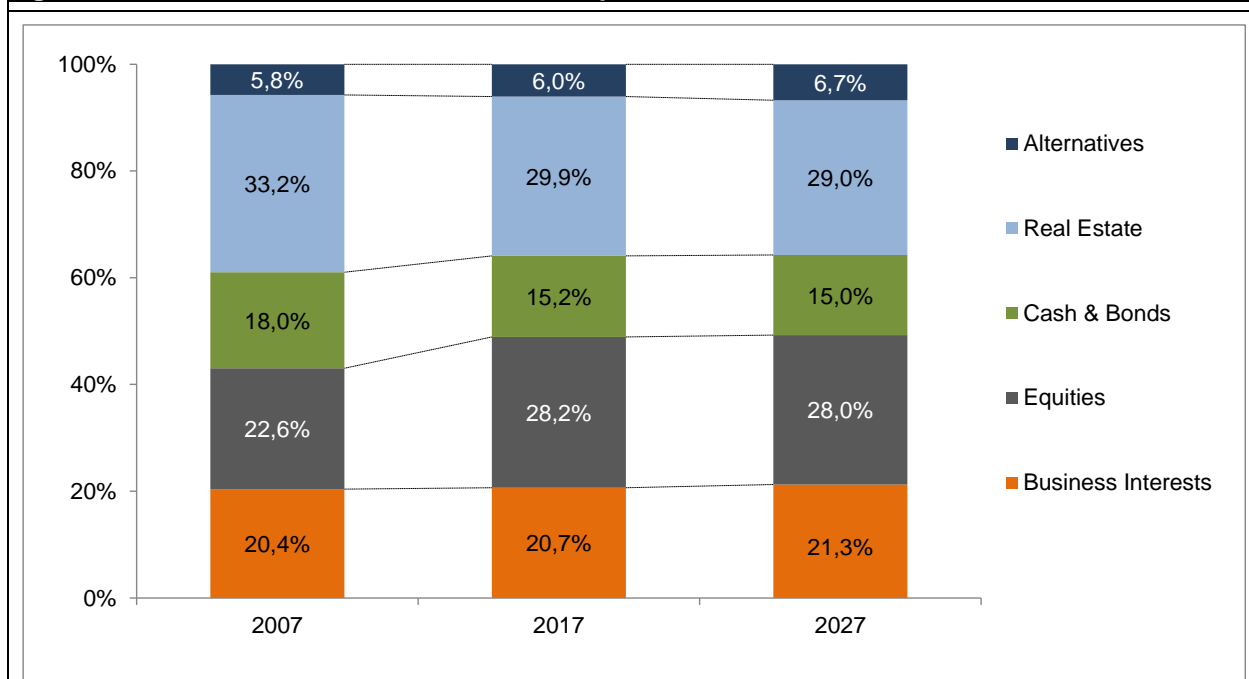
6 Investment trends of SA HNWI

6.1 Asset allocations

New World Wealth defines wealth as the net value of assets, including both financial holdings and tangible assets. As such, and in the interest of providing the most comprehensive analysis of the wealth of South African HNWIs, we have calibrated the total wealth held by HNWIs across five major asset classes: alternatives, real estate, cash & bonds, equities and business interests.

The statistics in this section are based on a combination of surveys conducted by New World Wealth on wealth management companies, fund management companies and individual HNWIs in South Africa.

Figure 7: South Africa: HNWI Asset Class Composition, 2007–2027



Source: New World Wealth

At the end of 2017, real estate was the largest asset class for HNWIs in South Africa (30% of total HNWI assets), followed by equities (28%), business interests (21%), cash & bonds (15%), and alternatives (6%).

Table 19: South Africa: HNWI Asset Allocations (%), 2007–2027

| Asset Class | 2007 | 2017 | 2027 |
|-----------------------------------|---------------|---------------|---------------|
| Alternative investments | 3,8% | 3,4% | 3,5% |
| Commodities | 1,4% | 1,7% | 1,8% |
| Collectables | 0,6% | 1,0% | 1,4% |
| Total alternatives | 5,8% | 6,0% | 6,7% |
| Local Property | 32,0% | 28,6% | 26,0% |
| Foreign property | 1,2% | 1,3% | 3,0% |
| Total real estate | 33,2% | 29,9% | 29,0% |
| Local cash & bonds | 13,2% | 9,0% | 8,0% |
| Foreign cash & bonds | 4,8% | 6,2% | 7,0% |
| Total cash & bonds | 18,0% | 15,2% | 15,0% |
| Local equities | 16,1% | 18,8% | 16,0% |
| Foreign equities | 6,6% | 9,4% | 12,0% |
| Total equities | 22,6% | 28,2% | 28,0% |
| Business interests (local) | 20,4% | 20,7% | 21,3% |
| TOTAL | 100,0% | 100,0% | 100,0% |

Source: New World Wealth

As reflected, equities recorded the strongest growth over the review period, whilst real estate and cash were the worst performing asset classes.

6.2 Real estate

Residential property performance

According to our in-house prime property indices, South Africa's residential property market performed poorly over the review period (2007 to 2017) with average prices declining by 11% in US\$ terms.

Note: our in-house prime property indices aggregate sq meter price growth in the main prime areas in SA (i.e. Clifton, Bantry Bay, Bishopscourt, Sandhurst, Hyde Park, Houghton, Umhlanga and Plettenberg Bay).

Possible reasons for the 11% drop:

- There was a significant depreciation of the Rand against the US dollar. In Rand terms, prime prices were up during the 10 year period, by around 60%.
- New visa restrictions which made it difficult for foreign buyers to stay in SA for more than 3 months at a time. This deterred foreigners from buying homes in SA.
- High agent commissions of up to 7.5% and high property transfer duties of up to 13%.
- Increased utility bills (electricity & water) and levies, which have increased by more than three times over the 10 year period. This has discouraged people from buying property and forced many people to downsize.
- Increased difficulty in getting mortgages following the global financial crisis. Bank and SARS approval often takes a long time (up to 6 months).

Prior to the review period

It should be noted that prior to 2000, South African property prices were well below worldwide norms and a correction occurred with prices rising by 3 times (in US\$ terms) during the seven-year period between 2000 and 2007. Many new 'property millionaires' were created during this period, particularly in Cape Town.

HNWI allocation

SA HNWIs decreased their real estate allocation during the review period from 33% in 2007 to 30% in 2017.

Note: "real estate allocation" includes all local and foreign property held by the HNWIs, including their primary residence.

6.3 Cash and bonds

Money market

The benchmark interest rate is set by the South African Reserve Bank. The rate stood at 6.75% at the end of 2017, down from 11.0% at the end of 2007.

HNWI allocation

SA HNWIs decreased their cash & bonds allocation during the review period, from 18% of total assets in 2007 to 15% in 2017.

6.4 Equities

Market

South Africa's main securities market is the Johannesburg Stock Exchange (JSE), which is the 17th largest exchange in the world with a market cap of approximately US\$1.1 trillion at the end of 2017.

In US\$ terms, the valuations of the JSE all share index were up 17% in US\$ terms during the review period (2007 – 2017). The past year (2017) was a particularly good year with the index rising by 30% in US\$ terms. Global equities also performed well, with the MSCI World Index rising by 43% in US\$ terms during the review period.

Notable local equities that performed well over the 10 year review period included: Naspers, Aspen, Discovery and PSG. Stocks that performed poorly included: Anglo American, Amplats and Steinhoff.

HNWI allocation

During the review period, local HNWIs substantially increased the share of their assets allocated to equities from 23% in 2007 to 28% in 2017.

6.5 Business interests

In order to determine the business interests of HNWI in South Africa, we have valued the shareholdings held by individual South African HNWI in our database. We have also considered forward-looking price-to-earnings ratios from respective companies on the JSE in order to estimate projected earnings growth.

The value of business interests increased from 20% of HNWI assets in 2007 to 21% in 2017. This rise shows that entrepreneurship in the country may be rising. Note: entrepreneurs and business owners tend to have higher business interests than those who have made their money through a salaried position.

Note: "Business Interests" refer to local holdings in businesses that HNWI is or was actively involved in (example: Bill Gates shares in Microsoft).

6.6 Analysis of Foreign Investments

There was a movement of funds offshore during the review period. At the end of 2017, South African HNWI held 17% of their wealth offshore compared to 13% in 2007.

This % is expected to rise to 22% by 2027. This rise will be fueled by increased allocations to foreign property, foreign cash and foreign equities.

7 The Wealth Management Sector in South Africa

7.1 Wealth managers & private banks

South Africa is the largest wealth management center in Africa and one of the 20 largest worldwide, with local assets under management (“AuM”) of approximately US\$82 billion at the end of 2017. Major locally based players are listed in the table below, ranked by locally sourced AuM. As reflected, Investec is the largest wealth manager in the country, followed by RMB.

| Table 20: South Africa: The largest wealth managers by local AuM, 2017 | | |
|--|----------------|---------|
| Rank | Wealth manager | Base |
| 1 | Investec | SA / UK |
| 2 | RMB | SA |
| 3 | PSG | SA |
| 4 | Nedbank | SA |
| 5 | Sanlam | SA |
| 6 | Standard Bank | SA |
| 7 | ABSA | SA |
| 8 | Old Mutual | SA / UK |
| 9 | Momentum Group | SA |
| 10 | Citadel | SA |
| <i>Note: Ranked by 2017 year end AuM.</i> | | |
| Source: Annual Reports, Investor presentations | | |

Typically, wealth management companies in SA target individuals with over US\$400,000 (R10 million) in investable assets. They also target young professionals who are starting their careers (specifically lawyers and chartered accountants). Services that are most in demand include: asset management services, financial planning and inheritance planning.

There are also a number of major foreign based wealth management companies with offices in South Africa. See list below.

| Table 21: South Africa: Major foreign wealth management companies operating in SA, 2017 | |
|---|-------------|
| Company (alphabetical) | Global Base |
| Credit Suisse | Swiss |
| Credo Group | UK |
| Stenham | UK |
| Stonehage Fleming | UK |
| UBS | Swiss |
| Source: New World Wealth | |

7.2 Family offices

Family offices are a fast growing wealth management segment in South Africa and throughout the world.

They traditionally provide a more customized offering than wealth managers and private banks. Services they offer include: managing household staff, property management, philanthropy coordination, managing family education, intergenerational transfer and legal and tax services, on top of the usual investment services.

Typically family offices are exclusively for family members and family related trusts, foundations, charities and venture capital companies.

Single-family offices (SFO)

Single-family offices generally take the form of a private company that manages the investments of ultra-wealthy individuals (normally with net assets of more than US\$100 million) and their extended family. Typically, an SFO has a small team consisting of a lawyer, an investment specialist and an accountant.

Multi-family offices (MFO)

There are a significant number of families with between US\$30 million and US\$100 million in assets that do not have the economies of scale to establish stand-alone family offices. MFOs cater to these families and allow them to share administrative costs. Stonehage Fleming is a notable MFO with a presence in SA.

7.3 Best ways of contacting HNWIs

The best way of contacting HNWIs in South Africa is via their brokers. Therefore, one needs to build strong relationships with individual brokers in order to get exposure. Strong relationships with fund managers is also important as many funds deal directly with HNWIs.

Some of the more popular brokerage houses and fund managers for HNWIs in SA are listed below.

Brokers:

- Alexander Forbes
- Investec
- Old Mutual
- Liberty Life
- PSG

Equity funds:

- Allan Gray / Orbis
- Coronation
- Prudential
- PSG
- Foord

Family offices, foundations and venture capital companies:

Another good way of contacting HNWIs is via their family offices, foundations and venture capital companies. In South Africa, around US\$24 billion is tied up with venture capital companies and foundations that are linked to the wealthy. Normally only individuals with net assets of over US\$10 million (R120 million) are wealthy enough to have their own foundations and/or venture capital companies.

8 Prime property index

What is the best way to determine the exclusivity of an area?

Option1: Price per square meter stats. Internationally considered to be the best way. However, this measure has some limitations, especially when it comes to valuating houses. This is due to the garden element (i.e. how do you value the garden?). The truth is price per square meter stats only work really well on apartments and some areas don't have many apartments which makes this tricky.

Option2: The number of R20 million homes in area. Allows one to see how many mansions are in an area. However, this measure can be deceiving as areas that are mainly large houses (such as Sandhurst, Plettenberg Bay and Bishopscourt) tend to outperform areas that are mainly apartments (such as Umhlanga) as very few apartments are large enough to cost over R20 million.

We therefore look at both measures in this section.

8.1 SA square meter prices for suburbs and streets

On a quarterly and annual basis we review the most expensive streets and suburbs for prime property in SA.

Table 22: South Africa: Most expensive streets and suburbs, price per square meter, 2017

| | Rand per square meter | US\$ per square meter |
|---|-----------------------|-----------------------|
| Top 10 most expensive streets in South Africa: | | |
| The Ridge & Cliff Road, Clifton, Cape Town | 95 000 | 7 700 |
| Victoria Road, Clifton and Bantry Bay, Cape Town | 92 000 | 7 500 |
| V&A Marina, Dock Road, City Bowl, Cape Town | 90 000 | 7 300 |
| Nettelton Road, Clifton, Cape Town | 87 000 | 7 100 |
| Clifton Road, Clifton, Cape Town | 85 000 | 6 900 |
| Kloof Road, Clifton and Bantry Bay, Cape Town | 84 000 | 6 800 |
| Ave St Leon, Bantry Bay, Cape Town | 80 000 | 6 500 |
| De Wet Road, Bantry Bay, Cape Town | 78 000 | 6 300 |
| Ave Marina, Bantry Bay, Cape Town | 76 000 | 6 200 |
| Ocean View Drive, Bantry Bay, Cape Town | 75 000 | 6 100 |
| Most expensive streets (outside of Cape Town): | | |
| Beachyhead Road, Plettenberg Bay | 43 000 | 3 500 |
| Lagoon Drive, Umhlanga | 36 000 | 2 900 |
| Top 10 most expensive suburbs in SA: | | |
| Clifton | 82 000 | 6 700 |
| Bantry Bay | 76 000 | 6 200 |
| Fresnaye | 61 000 | 5 000 |
| Camps Bay | 56 000 | 4 600 |
| Bakoven | 56 000 | 4 600 |
| Llandudno | 54 000 | 4 400 |
| Granger Bay | 54 000 | 4 400 |
| Mouille Point | 52 000 | 4 200 |
| Greenpoint | 48 000 | 3 900 |
| City Bowl* | 47 000 | 3 800 |
| <i>Note: Refers to the average price of a prime 200-400 square meter apartment/villa on street or in suburb. Figures rounded to nearest 100. Figures for Dec 2017. Translated at R12.30/US\$.</i> | | |
| <i>*City Bowl includes Higgovale, Oranjezicht, Tamboerskloof and V&A Marina.</i> | | |
| Source: New World Wealth | | |

8.2 Top hotspots for R20 million homes in SA

The number of R20m homes in a town or suburb can also be a good indication of its exclusivity. There are approximately 2,400 South African homes valued at R20 million or more (as of December 2017). 950 of them are in Cape Town, whilst 580 are located in Johannesburg.

Table 23: South Africa: Most exclusive suburbs in Cape Town (R20m homes), 2017

| Suburb | Number of R20m homes, 2017 |
|---------------------|----------------------------|
| Camps Bay & Bakoven | 200 |
| Clifton | 110 |
| Constantia & Tokai | 100 |
| Bishopscourt | 90 |
| Bantry Bay | 80 |
| Fresnaye | 80 |
| Llandudno | 40 |
| Somerset West | 40 |

Note: rounded to nearest 10.

Source: New World Wealth

Table 24: South Africa: Most exclusive suburbs in Johannesburg (R20m homes), 2017

| Suburb | Number of R20m homes, 2017 |
|-----------|----------------------------|
| Sandhurst | 110 |
| Hyde Park | 100 |
| Houghton | 100 |
| Bryanston | 80 |
| Westcliff | 50 |

Note: rounded to nearest 10.

Source: New World Wealth

As reflected, the “Big 5 Atlantic Seaboard suburbs of Cape Town” (Camps Bay, Clifton, Bantry Bay, Fresnaye and Llandudno) account for most of Cape Town’s R20 million homes.

Table 25: South Africa: Most exclusive towns in South Africa (R20m homes), 2017

| Town | Number of R20m homes, 2017 |
|-------------------------|----------------------------|
| Plettenberg Bay | 130 |
| Umhlanga & La Lucia | 110 |
| Knysna | 100 |
| Stellenbosch | 90 |
| Ballito* | 80 |
| Paarl | 70 |
| Franschhoek | 60 |
| George (incl. Fancourt) | 50 |
| Wilderness | 20 |
| Hermanus | 20 |

Note: rounded to nearest 10. Includes houses, apartments and private wine farms.

**includes Ballito, Salt Rock, Shaka's Rock and Sheffield Beach.*

Source: New World Wealth

Plettenberg Bay

Plettenberg Bay (otherwise known as “Plett”) is a small town on the Garden Route. After Johannesburg and Cape Town, it is the top location in SA for R20 million homes. Notably, Beachyhead Drive in Plett is considered to be the most expensive road in SA for residential property (outside of Cape Town).

Umhlanga

Umhlanga has been the top second home hotspot for wealthy Joburgers since the 1970s. Following the construction of Gateway shopping center in 2001, Umhlanga has also become a major business hub for wealthy residents to live and work. The apartments on Lagoon Drive in Umhlanga are some of the most expensive in the country.

Stellenbosch, Paarl and Franschhoek

These three areas are located next to one another. They combine to form the fastest growing area in SA for HNWI's. There are many private wine farms in the area owned by HNWI's that are worth well over R20 million. There are also several exclusive residential estates in the area including: De Zalze, Domaine des Anges Estate and Val de Vie. Val de Vie (which includes Pearl Valley golf course) has been the top rated residential estate in South Africa for the past three years.

Knysna

Knysna on the Garden Route is one of the top retirement destinations for wealthy South Africans. It is also home to several notable luxury residential estates including: Pezula, Simola and Thesen Islands.

Ballito

Ballito is the “Luxury Residential Estate Capital of South Africa” - it is home to Zimbali, Simbithi, Brettenwood and Dunkirk Estate. There are also a number of exclusive estates under construction in the area. The Ballito Junction Shopping Center, which opened recently, is expected to make Ballito even more appealing to HNWIs going forward. For our purposes, Ballito includes Salt Rock, Shaka’s Rock and Sheffield Beach.

George

George is the largest town on the Garden Route and one of the top retirement destinations for wealthy South Africans. It is home to one of the top residential estates in the country, namely Fancourt.

Wilderness

Wilderness is another small town on the Garden Route. It is located around 5km east of George. It is home to some of the most spectacular beachfront houses in the country.

Hermanus

Located on the Whale Coast, Hermanus is the main second home hotspot for wealthy Capetonians. It is also a popular retirement hotspot for wealthy people from Johannesburg and Pretoria.

8.3 The next hotspots for R20 million homes in SA

The following 'up-and-coming' towns and suburbs are expected to be the next hotspots for R20 million homes in SA:

Keurbooms

Keurbooms is a small village on the Garden Route. The town offers residents more privacy than nearby Plettenberg Bay.

Natures Valley

Natures Valley is also on the Garden Route. It is located about 30 minutes east of Plettenberg Bay. The forest and lagoon in the area is relatively untouched which appeals to nature lovers. Notably, no motor boats are allowed on the lagoon (it is a hotspot for canoeing).

Zinkwazi

Zinkwazi, sometimes pronounced Nkwazi, is a small beach town on the north coast of KwaZulu-Natal. It has benefited from the construction of King Shaka International Airport in nearby La Mercy. It is less developed and has larger plots than nearby Ballito and Umhlanga.

St Francis Bay

St Francis Bay is a small beach town on the Sunshine Coast, located roughly 100m west of Port Elizabeth. Property along the St Francis Canals is very exclusive, as is property in the St Francis Links Golf Estate.

Noordhoek

Noordhoek is part of Cape Town. It has been one of the fastest growing areas in SA (in terms of sq meter price growth over the past 10 years). Prices there should continue to rise strongly going forward.

8.4 Luxury residential estates

South Africa is home to over 100 luxury residential estates. We estimate that 38% of South African HNWIs either live or have second homes on these estates. Reasons for their popularity include:

- Safety & security - access gate, private security personnel.
- Activities – gym, swimming pool, golf, horse riding, tennis.
- Lifestyle and community - parks, gathering places, children playgrounds, schools.
- Limited and controlled traffic - safer for children.

Recent trends in this space (over the past year):

- There has been a rise in demand for retirement estates (example: Waterfall Hills Mature Lifestyle Estate). Wildlife estates are also on the rise (example: Mjejane). Overall, there is a move away from traditional golf estates.
- Most developers are now creating small neighborhoods within the estates, as opposed to the old model where houses were spaced evenly around the entire property. The new model allows for more parkland and open spaces between the neighborhoods.
- A large number of residential lifestyle & golf estates have started to add luxury apartments onto their offerings. Previously, most residential estates had focused only on houses.
- Parkland estates with nice parks, birdlife, walks and trails are becoming more popular (example: Steyn City).

Notably, South Africa is one of the global pioneers in residential estate living. In fact, the only country with more residential estates than South Africa is USA (mainly in Florida area). Interestingly, residential estates are now becoming increasingly popular across the globe, especially in the likes of the UAE, Portugal, Spain, Mexico, New Zealand, Mauritius and the UK.

Some of the first estates built in SA include: Fancourt, Erinvale and Dainfern – all built in the early 1990s.

Residential estates can be tricky to define. The easiest ones to define are golf estates. For our purposes, residential estates include: wildlife estates, golf estates, equestrian estates, parkland estates and retirement estates (i.e. themed estates).

Note: See our annual estate ratings for more information on residential estates in SA.

9 Appendix

9.1 Regulatory Environment in South Africa

- **The South African Reserve Bank (SARB)** regulates all banking institutions in the country and is responsible for foreign exchange regulations.
- **The Financial Services Board (FSB)** is the national regulatory body for all non-banking financial services.
- **The South African Revenue Services (SARS)** is a statutory body responsible for tax laws and for collecting revenue on behalf of the state.

9.2 Regulations on taxes

Notable characteristics of the South African tax system include:

- A progressive income tax structure with rates ranging from 18% at the lower end to 45% at the top end.
- All income earned by individuals at home and abroad is subject to South African tax.

Regulations on income tax

South African tax rates vary from 18% to 45%. Those who earn over R1.5 million per year are subject to a 45% tax rate. This applies to around 100,000 South Africans according to SARS. The top rate is particularly high for an emerging market – the emerging market average is around 30%.

People that earn less than R78,000 per annum are except from income tax in SA.

Regulations on VAT

The principal source of indirect taxation revenue in South Africa is value added tax (VAT). The standard rate of VAT is 15% (it was just increased in the Feb 2018 budget from 14% previously). Exports and certain foodstuffs such as bread are zero-rated.

Regulations on corporate tax

South Africa's corporate income tax rate is 28%. Certain companies qualifying as small businesses are taxed at lower rates (on income of less than R550,000).

Regulations on wealth tax

No wealth tax is applied on individuals in South Africa.

Regulations on Capital Gains Tax (CGT) and Dividends

The capital gains tax (CGT) rate in SA is 18% for individuals, 22.4% for companies and 36% for trusts.

Regulations on estate duty / inheritance tax

The estate of a resident deceased individual is subject to 20% estate duty, after taking into account a deduction of R3.5 million against the net value of the estate (i.e. any amount over R3.5 million is taxed at 20%). Any amount over R30 million is subject to 25% estate duty (new in Feb 2018 budget).

Regulations on transfer duties on property

For properties with a purchase price of R900,000 or less there is no transfer duty levied. From then on it works on a sliding scale of 3% to 13%. Notably, for properties valued at R10,000,000 and above, transfer duty exceeds R933,000.

Note: the above rates refer to the 2019 tax year (March 2018 to Feb 2019).

9.3 Exchange controls and rules on overseas bank accounts

Exchange controls

Exchange control regulations dictate how much and under what circumstances one can transfer money in and out of a country. South Africa is one of the few countries that still operates exchange controls. They are a legacy of the apartheid government which was concerned about individuals moving money out of the country during the sanctions period. The new ANC government decided to keep them intact when they took over power in 1994, as these controls allowed them to keep money within the country and prevent the LC (Rand) from depreciating.

Under current SA rules, a South African over the age of 18 years, can invest up to R10 million in his/her name outside SA per calendar year. However, a Tax Clearance Certificate must be obtained in order to do this. An additional R1 million (single discretionary allowance facility) can be transferred abroad each year, without the requirement to obtain a Tax Clearance Certificate.

In our view, exchange controls have some short term benefits such as currency and inflation control but over the long term they tend to erode business growth and investment. One of the biggest problems with SA exchange controls is that incoming transfers are blocked by local banks until approval is given for release of funds. This deters inward investment and makes it difficult for people to bring money into the country.

Overseas bank accounts

Under current SA rules, South Africans are not permitted to have overseas bank accounts unless they are disclosed to SARB and SARS. The upcoming information sharing agreements between Swiss, UK and other banking hubs (which should be functional by the end of 2018) are expected to expose a large number of SA individuals that have bank accounts abroad and have not disclosed them - these individuals will be required to pay heavy fines and back taxes on interest/profit received.

10 About the Sponsor / Author

AfrAsia Bank - Sponsor

Headquartered in the Mauritius International Financial Centre with Representative Offices in South Africa, AfrAsia Bank Limited specialises in four core divisions:

- Corporate and Investment Banking
- Global Business Banking
- Private Banking and Wealth Management
- Treasury & Markets

New World Wealth - Author

New World Wealth is a global market research group, based in Johannesburg, South Africa. We specialize in ratings, surveys, country reports and wealth statistics.

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